

# Tweed Announces Fiscal Q1 Results and Provides Update

May 30, 2014 (Source: CNW) – Tweed Marijuana Inc. (TSXV: TWD) (“Tweed” or the “Company”), today announced its first quarter (Q1) financial results for the three month period ended March 31, 2014. Tweed’s wholly owned subsidiary Tweed Inc. is a licensed producer (“LP”) under the Canadian *Marihuana for Medical Purposes Regulations* (“MMPR”), making Tweed the first publicly traded producer of medical marijuana in Canada.

## Financial and Operational Highlights

Chuck Rifici, CEO and Co-founder of the Company noted “I am pleased to report our progress in this first quarter as a public company. During this period, the Company’s focus and operating spending has been on achieving commercial production to be able to sell medical marijuana to Canadians in need.” Positioning itself to be a major player in the medical marijuana market, which became exclusively legislatively governed by the MMPR on April 1, 2014, the Company has in particular focused efforts on a number of priorities including:

- Designing and constructing the production facilities and growth operations;
- Hiring and developing the in-house expertise for the operations, production, management, and professional services requirements of the business;
- Commencing the grow operations in order to be in a position to supply the marketplace;
- The Company shipped its first product on May 5, 2014.

## REVENUES

The Company has no revenue to report, as it had not shipped product as of March 31, 2014.

## **OPERATING EXPENSES**

Operating expenses for the quarter ended March 31, 2014 was \$2,751,210 as compared to \$nil for the quarter ended March 31, 2013. \$1,259,792 of these expenses were listing expenses and reverse acquisition costs and are non-occurring. These expenses commenced in the first quarter of fiscal 2014 as the Company hired employees in the areas of operations, production and administration, pursued and invested in specific educational and outreach initiatives as well as the required government permits, engaged expertise in developing its business and production strategies, and incurred costs associated with consumables used in implementing and commencing the growing operations.

Stock compensation expense of \$158,426 related to the expense associated with the stock options granted to employees and consultants during fiscal 2013 and the first quarter 2014.

Amortization of intangible assets for the first quarter ending March 31, 2014 amounted to \$2,467 and relates to the amortization of the cost associated with the acquisition of the tweed.com domain name, which is being amortized over a five-year period.

Amortization of property, plant and equipment for the first quarter ending March 31, 2014 amounted to \$5,555. Assets within leasehold construction in progress will be transferred to property, plant and equipment when construction is complete and they are available for use. At that point, amortization on those assets will commence.

Other net expenses of \$5,070 relate to foreign exchange losses and interest income during the period.

## **NET LOSS**

The net loss for the quarter ending March 31, 2014 was \$2,756,280.

## Liquidity

The table below sets out the cash, short-term investments, and working capital at December 31, 2013 and March 31, 2014.

	<b>As at March 31, 2014</b>	<b>As at December 31, 2013</b>
Cash and equivalents	\$7,700,107	\$2,089,794
Short term investments	10,000	10,000
Working capital	6,713,693	1,817,024

The increase in the working capital from \$1,817,024 to \$6,713,693 is mainly due to the equity financing raised in the period, partially offset by cash used in operating activities and the investment in long-term assets for the business. The long-term assets are primarily the leasehold construction in progress assets that relate to the infrastructure for business production and operations.

The chart below highlights the Company's cash flows during the quarter ending March 31, 2014.

<i>Net cash provided by (used in):</i>	<b>Three months ended March 31</b>	
	<b>2014</b>	<b>2013</b>
Operating activities	\$7,700,107	\$2,089,794
Investing activities	10,000	10,000
Financing activities	6,713,693	1,817,024

As at March 31, 2014, the Company had cash available of \$7,700,107. The Company consumed \$2,907,054 in operating activities during the quarter; generated cash from equity financing activities in the amount of \$9,820,384 and used cash of \$1,501,017 for investing activities associated with long-term assets. The Company has incurred losses to date. The

Company expects to generate limited revenue commencing in the second quarter of 2014 and will incur losses until revenues reach a level where operations become profitable.

On May 5, 2014 Tweed Inc. commenced shipping medical marijuana to registered patients.

On May 14, 2014, the Company announced that it had closed a short form prospectus offering, on a bought deal basis, of 4,687,500 common shares for aggregate gross proceeds of \$15,000,000 (the "Offering"). The Offering was completed at a price of \$3.20 per common share (the "Offering Price") by a syndicate of underwriters led by GMP Securities L.P. and including Jacob Securities Inc. (the "Underwriters"). The Company also granted the Underwriters an over-allotment option to purchase up to an additional 703,125 common shares at the Offering Price, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the Offering. Such over-allotment option remains outstanding unexercised as of the date of this MD&A.

### **Options Update**

On April 4, 2014 the Company announced that it had granted options to purchase 251,210 common shares to directors and officers of the Company. The TSX Venture Exchange did not accept those options for filing and, as a result, such options were cancelled.

### **Sector Insights**

"Canada is leading the world with respect to regulatory and product standards for the production of medical marijuana, and Tweed has clearly asserted its leadership role within Canada," stated Bruce Linton, Co-Founder and Chairman of Tweed. "This is a sector that was established through the MMPR less than a year ago and, while much work remains, Canadians will benefit from this bold leadership."

The MMPR structure was announced on June 19, 2013, and represents one of the most comprehensive and safe frameworks for the private production and sale of medical marijuana in the world. It provides a national basis for both controlled supply and quality verification, requiring LPs to achieve product testing standards not previously applied in Canada, and setting a standard as high as any in the world. This is to the benefit of the patient's health. For example, MMPR LPs are prohibited from the use of virtually all pesticides, fungicides, and herbicides, yet must produce a product that is without molds or other bacteria, tested to a microscopic level. Tweed executes comprehensive tests on all medicine prior to having it available for shipment. Third party labs are currently being used as Tweed is in the process of constructing its in-house laboratory. At the end of the approximately four month growing period, the drying, trimming, curing, testing, cold pasteurizing (as required), re-testing and packaging process can add as many as 5 weeks of production time to the seed-to-sale process following harvesting. This time commitment has merit, yet as Tweed has experienced, it does delay the initial production for volume release. Tweed began harvesting its first full size commercial growing room on April 21<sup>st</sup>, and shipped this harvest on May 5, 2014.

As market participants are aware, an injunction announced on March 21, 2014 allowed current growers and patients under the previous regulatory regime to continue growing until a legal challenge is completed. At present, the priority for many LPs, including Tweed, remains production of sufficient product to meet patient demand, even with the injunction in place. While production is a function that can be accelerated – and in the case of Tweed has been accelerated – the complexities of dealing with a crop in a highly regulated environment translate into added variables beyond the addition of further capital or personnel. The function of construction and production are serially linked, such that a multiple month time lag exists between decisions to expand capacity and the

availability of new medical marijuana in the market. This constraint has been more impactful than anticipated by Tweed, has been a frustration to patients, and appears likely to be the singular limiter on growth in revenues for the balance of 2014. The sector as a whole has several participants that appear to be working through the same production volume challenge.

A further key variable surrounding the medical marijuana market is the significant effort and uncertainty involved in becoming an MMPR Licensed Producer. Based on publicly available information, the total number of LPs remains below 20, yet the number of submissions to Health Canada continues to grow, possibly exceeding 800 applications. Every indication is that the approval process is becoming elongated as the large number of applications creates an additional licensing burden. New entrants will face a further operational burden given the method to attain seeds, plants and starting genetic materials was restricted effective April 1, 2014, effectively necessitating that new LPs can now only secure materials from other LPs or with an approved import permit. Prior to April 1, 2014, Tweed and other LPs could acquire these materials from participants under the legacy regime of production.

In order to drive medium term demand in the sector, Tweed has commenced educational programs and hired initial staff to liaise with the medical community. This is to bridge the information and research gap and to facilitate the acceptance of medical marijuana as a treatment under appropriate circumstances and for relevant conditions. This work, combined with the work of the Canadian Medical Cannabis Industry Association (of which Tweed is a founding director) will continue to drive forward increased awareness and understanding of the sector.

Tweed is actively seeking and reviewing acquisition opportunities as it is management's view that the sector will present opportunities for consolidation. There can, however,

be no assurances that any such acquisition opportunities will materialize or be completed by Tweed.

### **Teleconference Call**

Chuck Rifici, the Company's CEO, and Don Gibbs, the Company's CFO, will host a conference call on June 2, 2014 at 8:15 a.m. ET to discuss the Company's financial results.

<u>Date:</u>	June 2, 2014
<u>Time:</u>	8:15 a.m. ET
<u>Where:</u>	888-231-8191 (toll free in North America)
	1-647-427-7450 (international)
<u>Participant Code:</u>	54175332

A replay of the call will be available beginning June 2, 2014 at 2:30 p.m. ET through 11:59 p.m. ET on June 16, 2014 and can be accessed by dialing 855-859-2056 (toll free in North America) or 403-451-9481 (international) and using access code 54175332.

### **About Tweed Marijuana Inc.**

Tweed Marijuana Inc. is a TSX Venture Exchange listed company. Its wholly owned subsidiary, Tweed Inc., is a licensed producer of medical marijuana in Canada. The principal activities of Tweed are the production and sale of marijuana out of its facility in Smiths Falls, Ontario as regulated by the Marihuana for Medical Purposes Regulations.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Notice regarding Forward Looking Statements**

This news release contains forward-looking statements. Often, but not always, forward-looking statements can be identified

by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Tweed Marijuana Inc. or Tweed Inc. to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: (A) predictions of future demand; (B) plans to increase capital expenditure and construction related expenses; (C) anticipated production yields; (D) completion of construction and availability of new production rooms; and (E) forecasted available product selection. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this news release. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability to obtain any necessary financing; the economy generally; the yield from Tweed’s marijuana growing operations; consumer interest in products; competition; regulation and anticipated and unanticipated costs and delays. Although Tweed Marijuana Inc. has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect Tweed Marijuana Inc. or Tweed Inc. Additional factors are noted under “Part IV – Description of Risk Factors Associated with the Acquisition” in the Filing Statement of Tweed Marijuana Inc. dated as of

March 25, 2014 and available at [www.SEDAR.com](http://www.SEDAR.com). The forward-looking statements included in this news release are made as of the date of this news release and Tweed Marijuana Inc. does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.